

## Message Text

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ORIGIN L-03

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FM SECSTATE WASHDC

TO USMISSION GENEVA PRIORITY

C O N F I D E N T I A L STATE 023677

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS:EFIN

SUBJECT:OPIC -- NEED FOR BILATERAL AGREEMENTS

FOR MARK B. FELDMAN FROM L.

1. MEETING SCHEDULED WITH CASEY ON THURSDAY, FEBRUARY 7, TO DECIDE DEPT POSITION ON QUESTION OF NECESSITY FOR BILATERALS AS PRECONDITION OPIC INSURANCE. POSITION ON EFFECT OF "PRIVATIZATION" OF OPIC ALSO TO BE DISCUSSED. FOLLOWING LANGUAGE PROPOSED AS L'S POSITION ON THIS MATTER (UNNECESSARY WORDS OMITTED). PLEASE GIVE COMMENTS SOONEST.

2. QUESTION ARISES WHETHER PRESENT GENERAL INSISTANCE UPON HAVING BILATERAL AGREEMENT BEFORE OPIC INSURANCE IS WRITTEN SHOULD BE MODIFIED UNDER A "PRIVATIZED" OPIC. WHETHER SUCH MODIFIED OPIC ACTS AS REINSURER (AS UNDER THE CHURCH BILL), MEMBER OF A PUBLIC/PRIVATE SYNDICATE (AS OPIC PROPOSES) OR TAKES OUT REINSURANCE ITSELF, BASIC OPERATING PRINCIPLE SHOULD BE THAT WHERE U.S. MONEY IS AT RISK AND POSSIBILITY OF INTER-GOVERNMENTAL DISPUTES IS INCREASED, BEST POSSIBLE DISPUTE SETTLEMENT MECHANISM, CONFIDENTIAL

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(BILATERAL AGREEMENT) SHOULD EXIST.

3. HOWEVER, UNDER VARIOUS SCHEMES SET FORTH ABOVE, NOT EVERY OPIC-INSURED INVESTOR LOSS WILL TRIGGER OPIC

LIABILITY. THUS, CHURCH BILL AND OTHER PLANS REQUIRE THAT PRIVATE COMPANIES BEAR VARYING PORTION OF LOSS BEFORE OPIC REQUIRED TO PAY. THIS ALONE WOULD ALLOW "PRIVATIZED" OPIC SOME LEEWAY IN INSURING CERTAIN PROJECTS.

4. THEREFORE, WRITING OF INSURANCE IN COUNTRIES WITHOUT BILATERALS WHERE OPIC ITSELF WOULD BE LIABLE, OVER AND ABOVE THAT AMOUNT COVERED BY PRIVATE COMPANIES IN A PRIVATIZED OPIC, MIGHT BE ACCEPTABLE IF: (A) MAXIMUM AMOUNT OF OPIC LIABILITY ON ANY ONE RISK IS LIMITED; (B) MAXIMUM AMOUNT OF OPIC LIABILITY IN ANY ONE COUNTRY IS LIMITED; (C) OPIC-COVERED INVESTORS ARE LIMITED TO LOW-PROFILE, NON-SENSITIVE SECTORS OF ECONOMY. KISSINGER

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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Comment:** 25 YEAR REVIEW  
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